



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
BATH COUNTY CLERK**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	5
COMMENTS AND RECOMMENDATIONS.....	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	13



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Ray Bailey, Bath County Judge/Executive
Honorable Glenn Thomas, Bath County Clerk
Members of the Bath County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Bath County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Ray Bailey, Bath County Judge/Executive
Honorable Glenn Thomas, Bath County Clerk
Members of the Bath County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance:

- The County Clerk Should Maintain Timesheets For All Employees
- The County Clerk Should Have A Written Agreement To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated January 10, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 10, 2000

BATH COUNTY
GLENN THOMAS, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

Receipts

State Grants	\$	5,323
--------------	----	-------

State Fees For Services		10,375
-------------------------	--	--------

Fiscal Court		1,945
--------------	--	-------

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 231,199	
------------------------	------------	--

Usage Tax	488,506	
-----------	---------	--

Tangible Personal Property Tax	456,976	
--------------------------------	---------	--

Licenses-

Marriage	3,969	
----------	-------	--

Deed Transfer Tax	13,066	
-------------------	--------	--

Delinquent Tax	33,583	1,227,299
----------------	--------	-----------

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$ 7,236	
---------------------------------	----------	--

Real Estate Mortgages	9,497	
-----------------------	-------	--

Chattel Mortgages and Financing Statements	46,138	
--	--------	--

Powers of Attorney	546	
--------------------	-----	--

All Other Recordings	1,658	
----------------------	-------	--

Charges for Other Services-

Candidate Filing Fees	1,150	
-----------------------	-------	--

Copywork	5,390	
----------	-------	--

Releases	3,713	75,328
----------	-------	--------

Interest Earned		2,187
-----------------	--	-------

Gross Receipts	\$	1,322,457
----------------	----	-----------

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 175,565	
------------------------	------------	--

Usage Tax	467,993	
-----------	---------	--

Tangible Personal Property Tax	191,206	
--------------------------------	---------	--

BATH COUNTY
GLENN THOMAS, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Disbursements (Continued)

Licenses-			
Delinquent Tax	\$	10,074	
Legal Process Tax		12,210	
Candidate Filing Fees		<u>1,050</u>	\$ 858,098
Payments to Fiscal Court:			
Tangible Personal Property Tax	\$	46,104	
Delinquent Tax		4,196	
Deed Transfer Tax		<u>12,413</u>	62,713
Payments to Other Districts:			
Tangible Personal Property Tax	\$	201,424	
Delinquent Tax		<u>15,519</u>	216,943
Payments to Sheriff			1,513
Operating Disbursements:			
Personnel Services-			
Deputies Salaries	\$	56,098	
Employee Benefits-			
Employer's Paid Health Insurance		9,827	
Materials and Supplies-			
Office Supplies		2,272	
Contracted Services-			
Printing and Binding		5,323	
Other Charges-			
Miscellaneous		135	
Refunds		<u>6,562</u>	<u>80,217</u>
Total Disbursements			<u>\$ 1,219,484</u>
Net Receipts			\$ 102,973
Less: Statutory Maximum			<u>48,725</u>
Excess Fees			\$ 54,248
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for Calendar Year 1998			\$ 50,648
Payment to County Treasurer - February 12, 1999			<u>50,648</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

BATH COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution provided collateral of \$95,000. However, the depository institution's board of directors or loan committee did not approve the collateral agreement. In addition, the depository institution did not have a written agreement with the County Clerk.

Note 4. Grants

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives during 1997 in the amount of \$5,323. Funds totaling \$5,323 were expended during calendar year 1998. The unexpended grant balance was \$0 as of December 31, 1998. Additionally, the County Clerk has another unexpended grant of the same nature from previous years. The balance of this grant on January 1, 1998 was \$1,427. During calendar year 1998, interest of \$35 was earned and no funds were expended. The grant balance of this account at December 31, 1998 was \$1,462.

Note 5. Health Insurance Premiums

KRS 61.405 allows county fee officials to purchase twelve (12) months of health insurance coverage for their employees, if excess fees are available. Therefore, the expenditures are allowable. The Attorney General has issued opinion 92-108, which claims the statute is unconstitutional and discriminatory. The Attorney General also issued OAG 94-11 on February 25, 1994, stating health or medical insurance provided uniquely for an official and not in connection with a government program providing benefits to all county employees would be personal in nature.

COMMENTS AND RECOMMENDATIONS

BATH COUNTY
GLENN THOMAS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

Calendar Year 1998

STATE LAWS AND REGULATIONS:

1) The County Clerk Should Maintain Timesheets For All Employees

During the test of payroll, we discovered the County Clerk was not maintaining time records of his employees. KRS 337.320 requires every employer to keep a record of the amount paid each pay period to each employee and the hours worked each day and each week by each employee. We recommend daily and weekly time records be maintained for all employees of the County Clerk's office even if they are considered salaried employees.

County Clerk's Response:

Agree

2) The County Clerk Should Have A Written Agreement To Protect Deposits

The County Clerk maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of April 8, 1998, the County Clerk had bank deposits of \$187,927; FDIC insurance of \$100,000; and collateral pledged or provided of \$95,000. Even though the County Clerk obtained collateral of \$95,000, the collateral was not approved by the board of directors of the depository institution or its loan committee, and there was no written agreement between the County Clerk and the depository institution, signed by both parties, securing the Clerk's interest in the collateral. We recommend the County Clerk enter into a written agreement with the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Clerk's Response:

Agree

PRIOR YEAR:

1) The County Clerk Should Maintain Timesheets For All Employees

2) The County Clerk Should Have A Written Agreement To Protect Deposits

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Ray Bailey, Bath County Judge/Executive
Honorable Glenn Thomas, Bath County Clerk
Members of the Bath County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Bath County Clerk as of December 31, 1998, and have issued our report thereon dated January 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bath County Clerk's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bath County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Ray Bailey, Bath County Judge/Executive
Honorable Glenn Thomas, Bath County Clerk
Members of the Bath County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 10, 2000

